



# **Town of Florence**

## **2011 Water, Wastewater Rate Study and Financial Forecast Council Presentation**

**March 2012**



# Presentation Format



- ▶ Background on Rates
- ▶ Forecast Volumes and Revenue Requirements – Water, WW
- ▶ Proposed Rate Plan – Water, WW
- ▶ Fixed vs. Variable Costs
- ▶ Presentation Summary



# Facts about Wastewater Rates in Arizona and USA



- ▶ Average utility has been increasing rates 5-6% per year; trend expected to continue
- ▶ 30-40% of utilities currently charge rates that do not cover their costs
- ▶ Larger cities and high-growth cities typically have lower rates
- ▶ General rule: a utility can have low rates or high quality service but NOT both!
- ▶ Conclusion: higher rates are an unfortunate but inevitable fact of life

# Town of Florence

## Current Water Rate Structure



	<b>Inside Municipality</b>	<b>Outside Municipality</b>
<b>Monthly Service Charge:</b>		
5/8"-3'4" Meter	\$ 19.30	\$ 25.09
1" Meter	32.17	41.81
2" Meter	128.67	167.28
3" Compound	205.88	267.64
3" Turbine	225.18	286.94
<b>Monthly Consumption Rate per 1,000 Gallons/100 Cubic Feet:</b>		
0 - 10,000 gallons	1.38	1.76
10001 to 18,700 gallons	1.91	2.44
Over 18,700 gallons	3.39	4.33
Under 1,337 cubic feet	1.03	1.32
1,337 to 2,500 cubic feet	1.42	1.83
Over 2,500 cubic feet	2.55	3.24

# Town of Florence

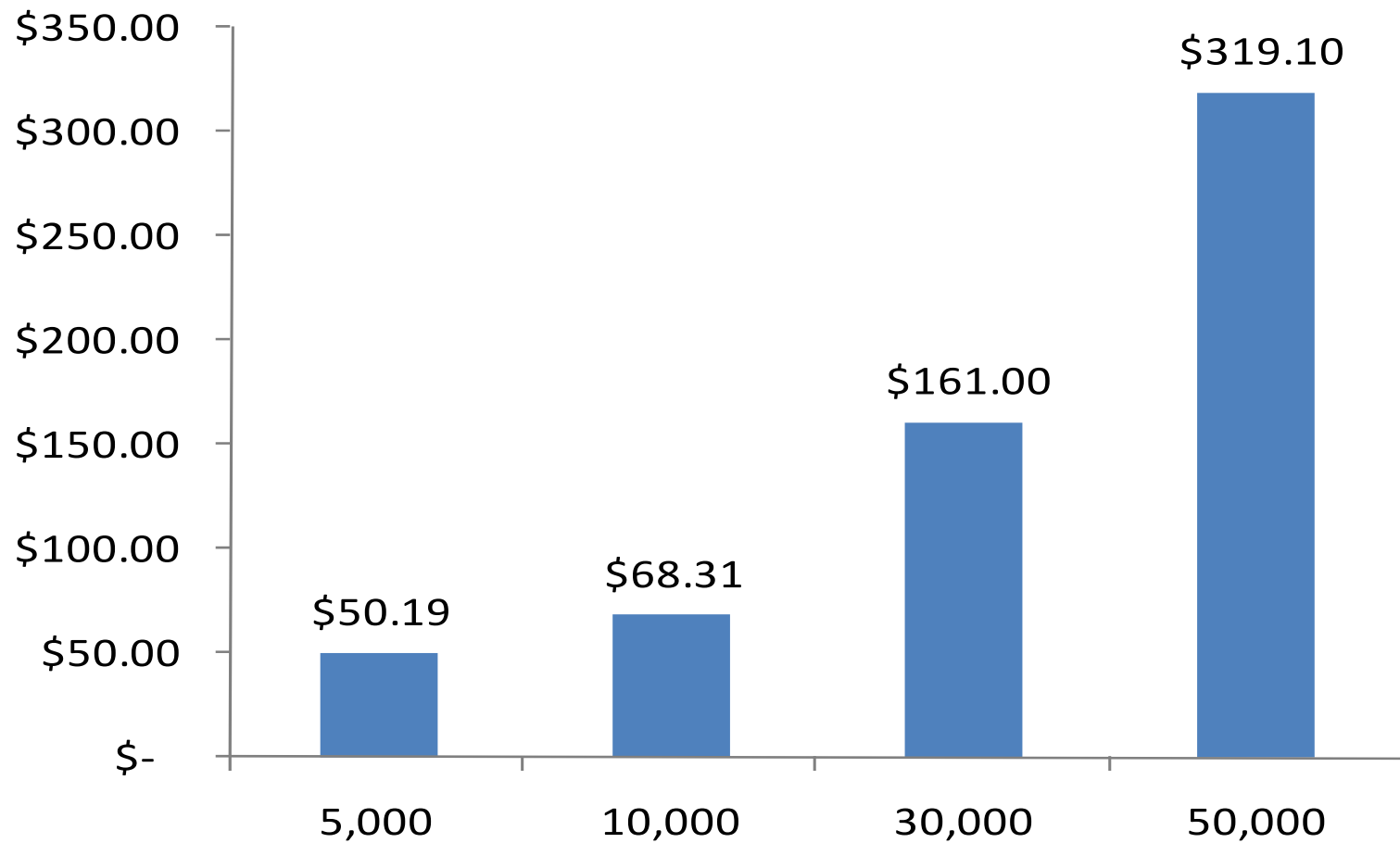
## Current Wastewater Rate Structure



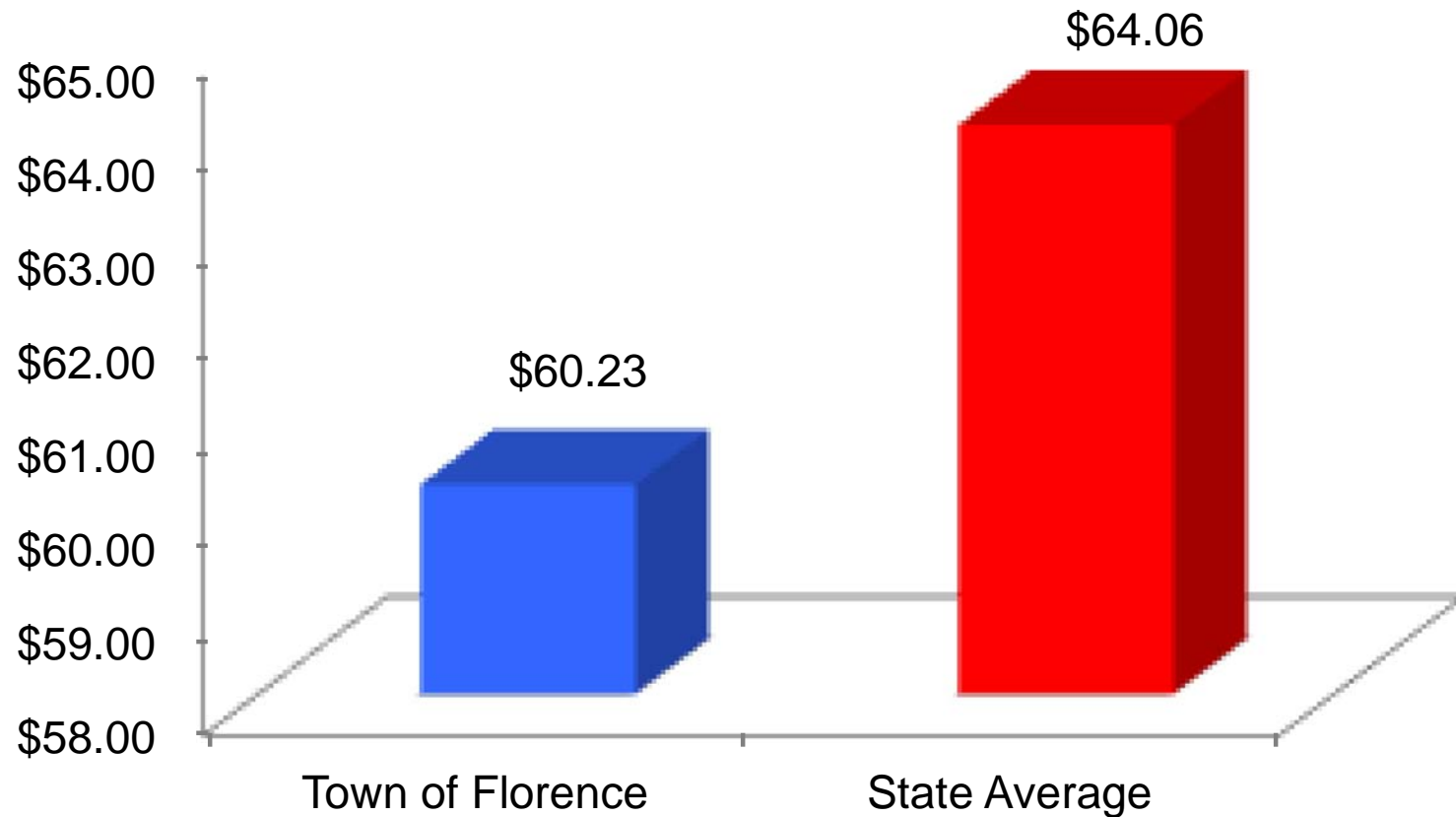
<b>Monthly Service Fee (all ratepayers)</b>	<b>\$</b>	<b>12.78</b>
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		<b>Monthly Rate Per CCF</b>		<b>Monthly Rate Per 1,000 Gal</b>
<b>Residential (Inside and Outside)</b>	<b>\$</b>	2.24	<b>\$</b>	2.99
<b>Commercial</b>		2.25		3.01
<b>Institutional</b>		3.14		4.20

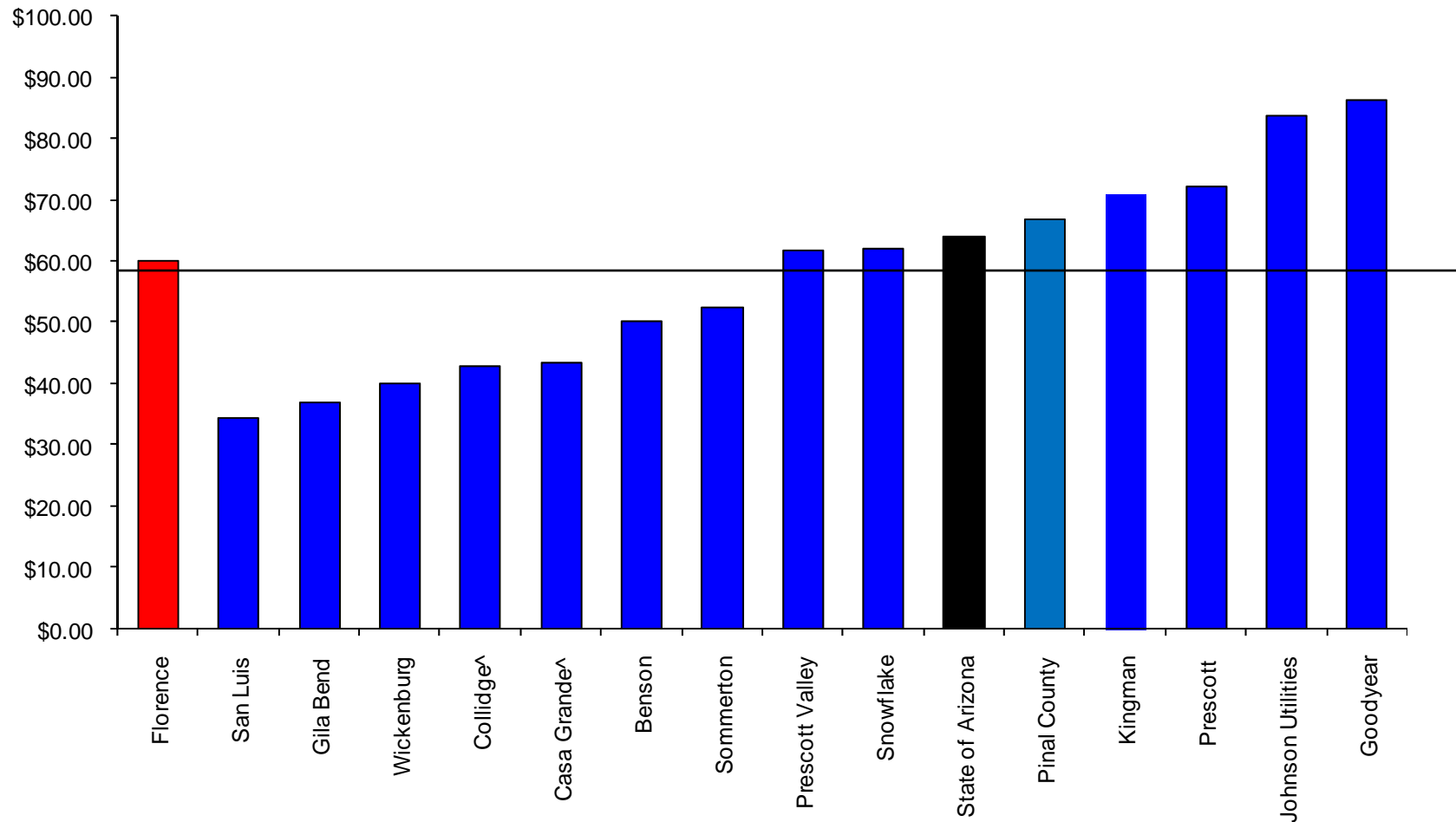
# Water/WW Monthly Residential Charges at Various Usage Levels



## Monthly Residential Water/WW Charges 7,500 Gallons



# Monthly Residential Charges 7,500 Gal Water and Wastewater

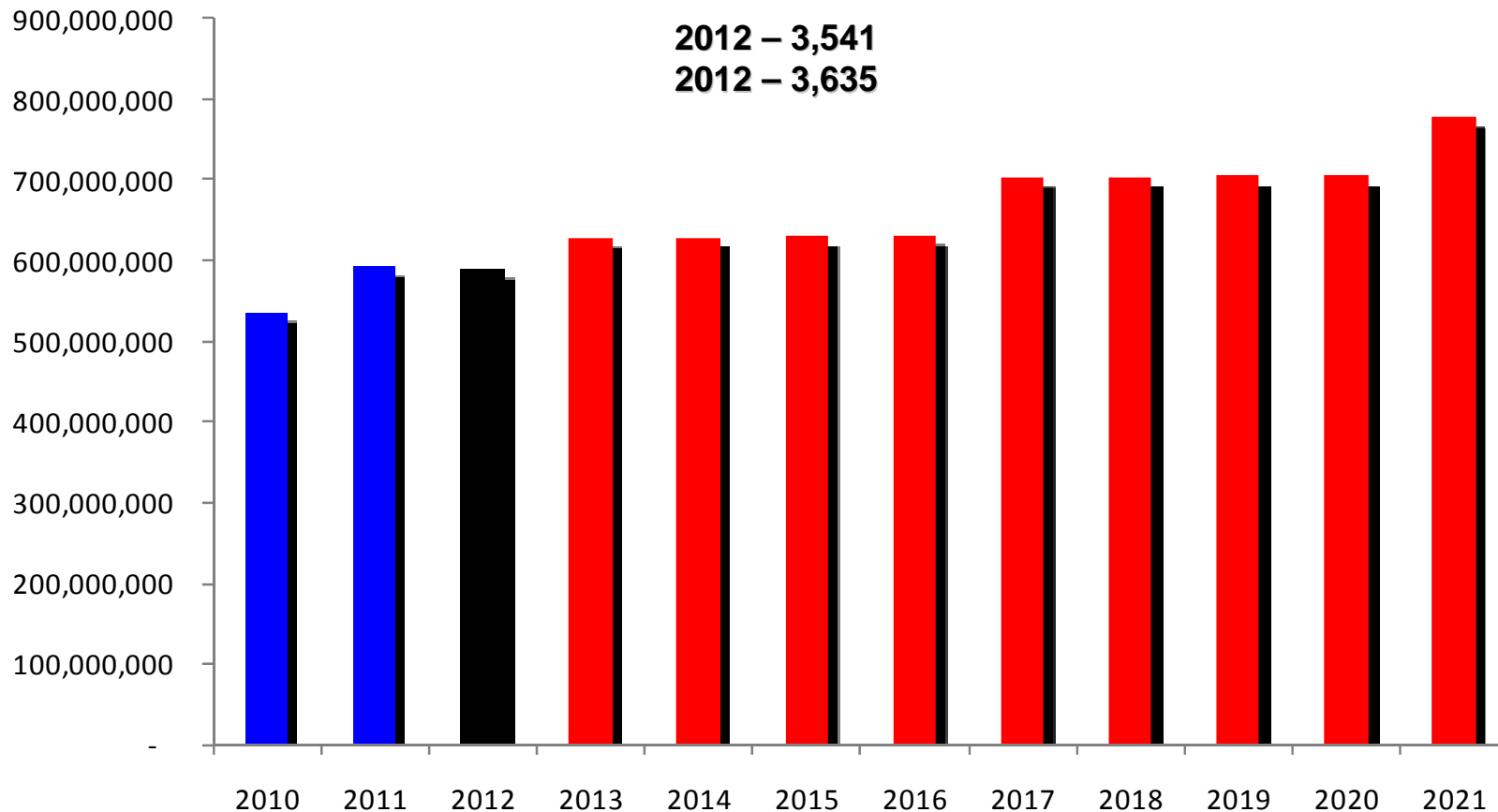




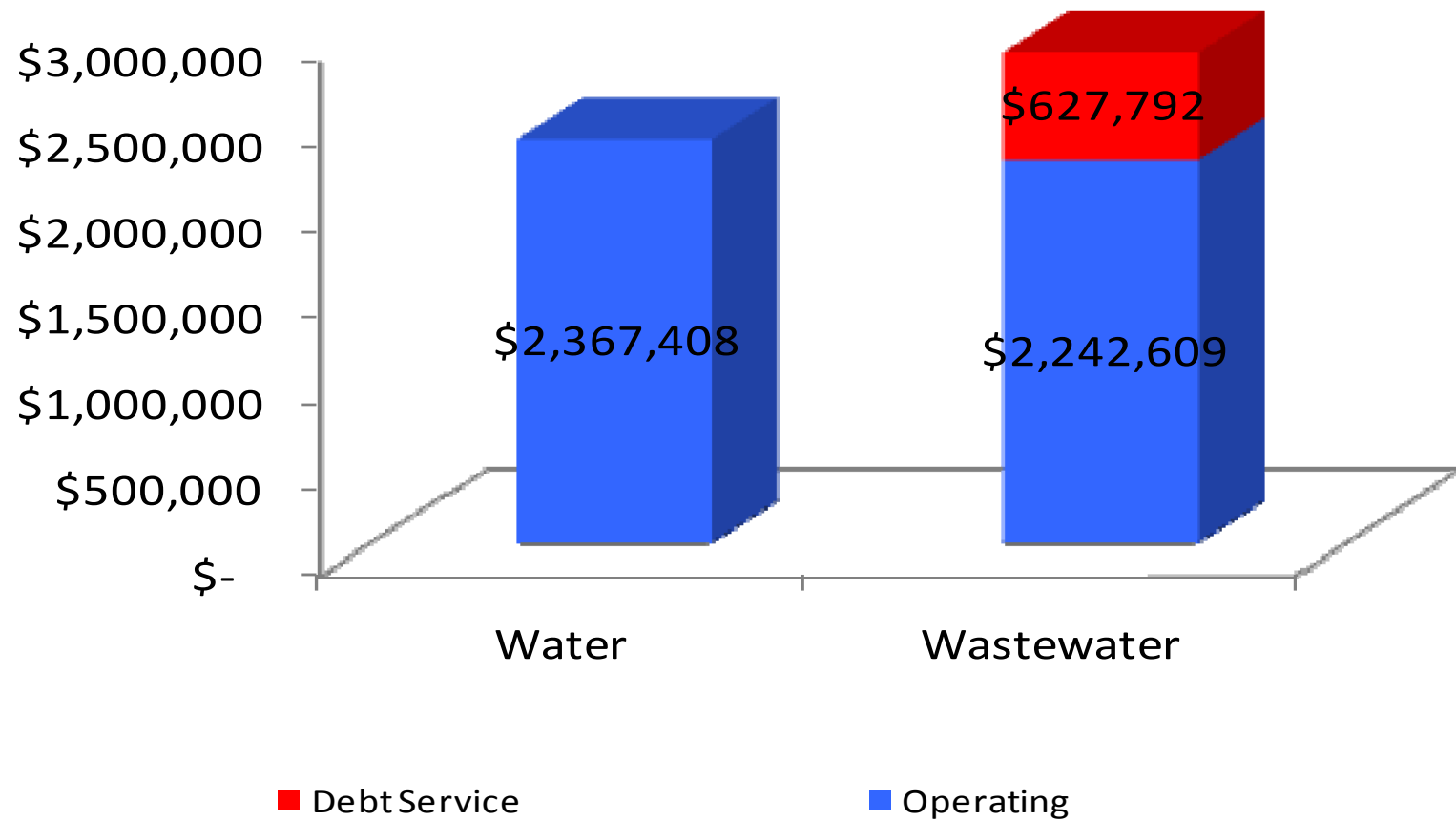
# Total Water Consumption FY 2010 – FY 2021



## Forecast Accounts



# 2012 Water/WW Cost of Service



# 10 Year Cost of Service Forecast

## Primary Assumptions



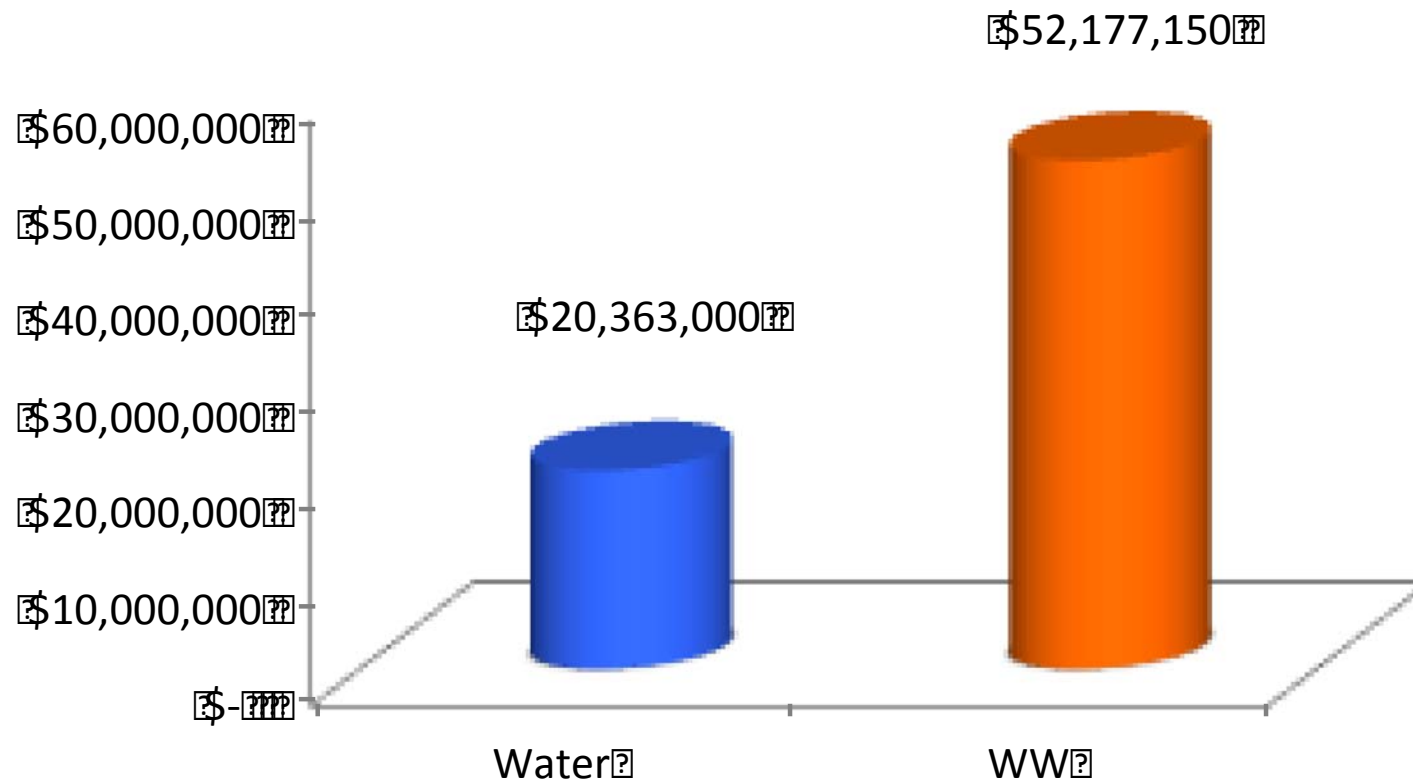
- ▶ Most operating expenses will increase 4-5% per year; some expenses (insurance/energy) will increase at higher rates
- ▶ Capital Improvement Plan will significantly impact rates
- ▶ Water/WW: new prison bed expansion
  - 2013 - 1,000 beds
  - 2017 - 2,000 beds
  - 2021 - 2,000 beds
- ▶ WWTP expansion to accommodate new flow



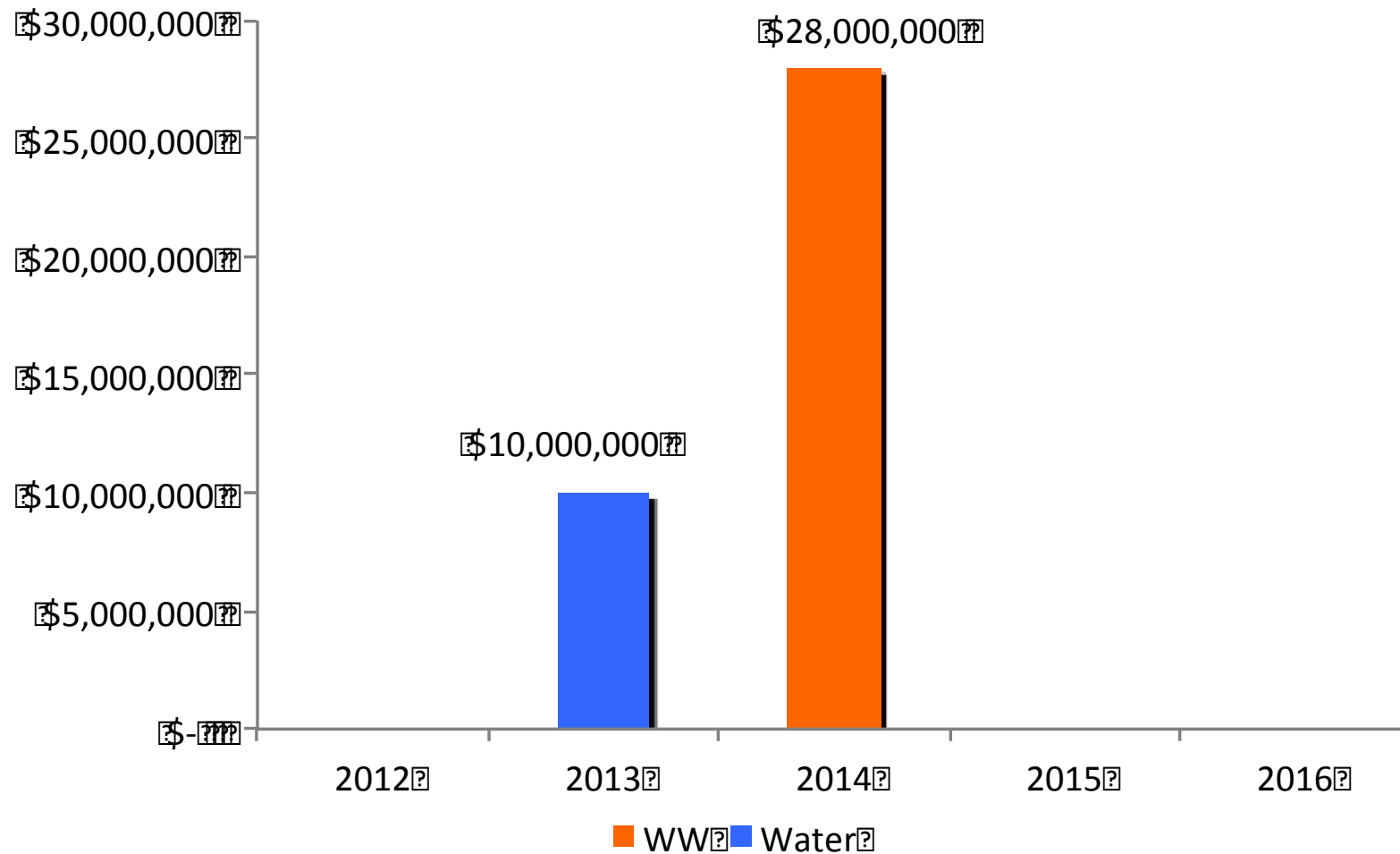
# Water/WW Capital Improvement Plan 2012 -- 2016



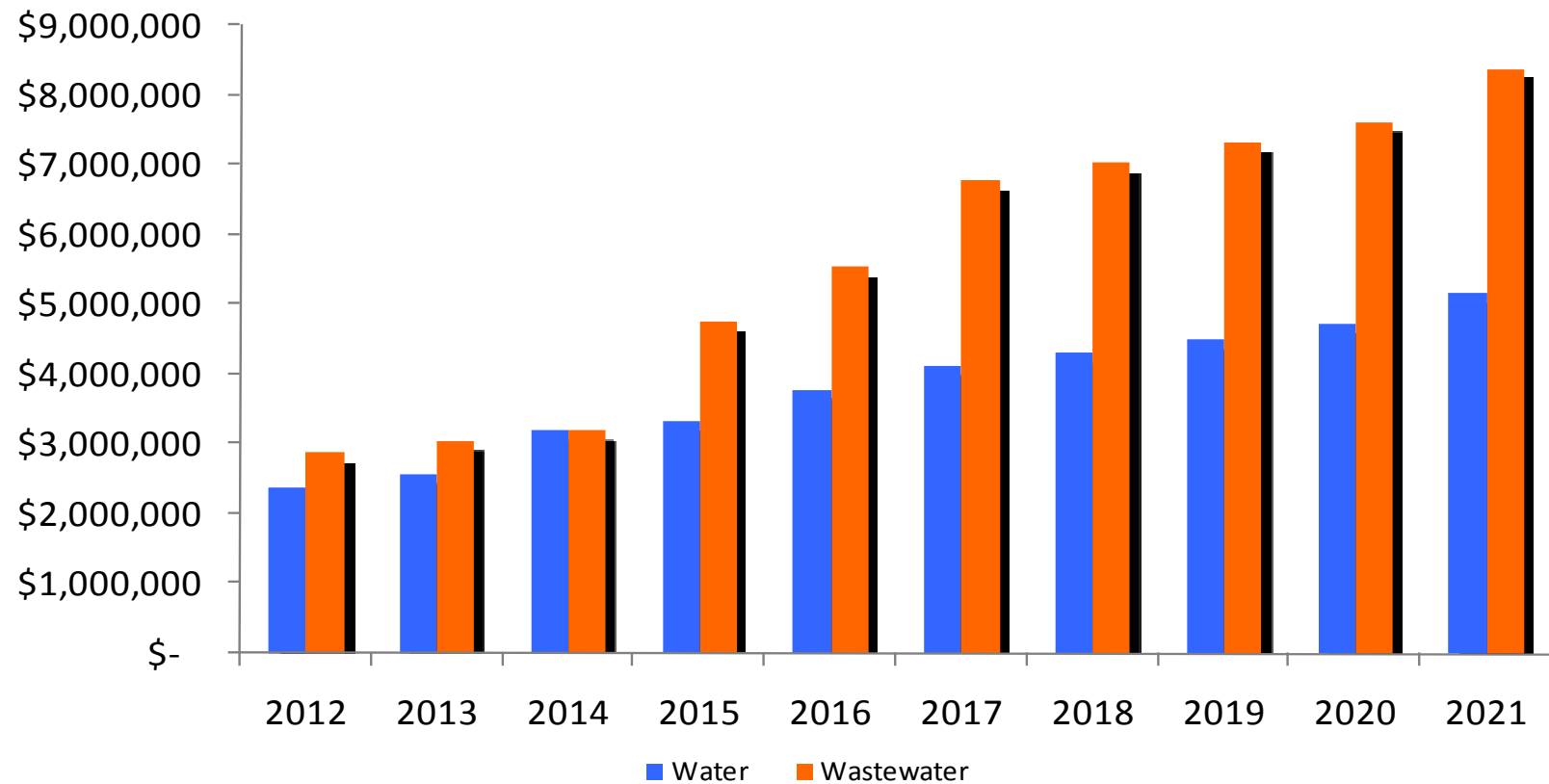
**Total = \$72,540,150**



# Water/WW Forecast Debt Issues



# Water/Wastewater Utility Cost of Service



# Notes on Rate Proposal



- ▶ Rate plan was originally adopted by Council in 2009
- ▶ Plan provides for a series of annual rate adjustments through 2017
- ▶ After extensive analysis and update of expenses, accounts and consumption, project team recommends that 2009 rate plan remain in place
- ▶ Annual rate adjustments will still be required, but will remain the same as those adopted in 2009

# Residential Rate Plan

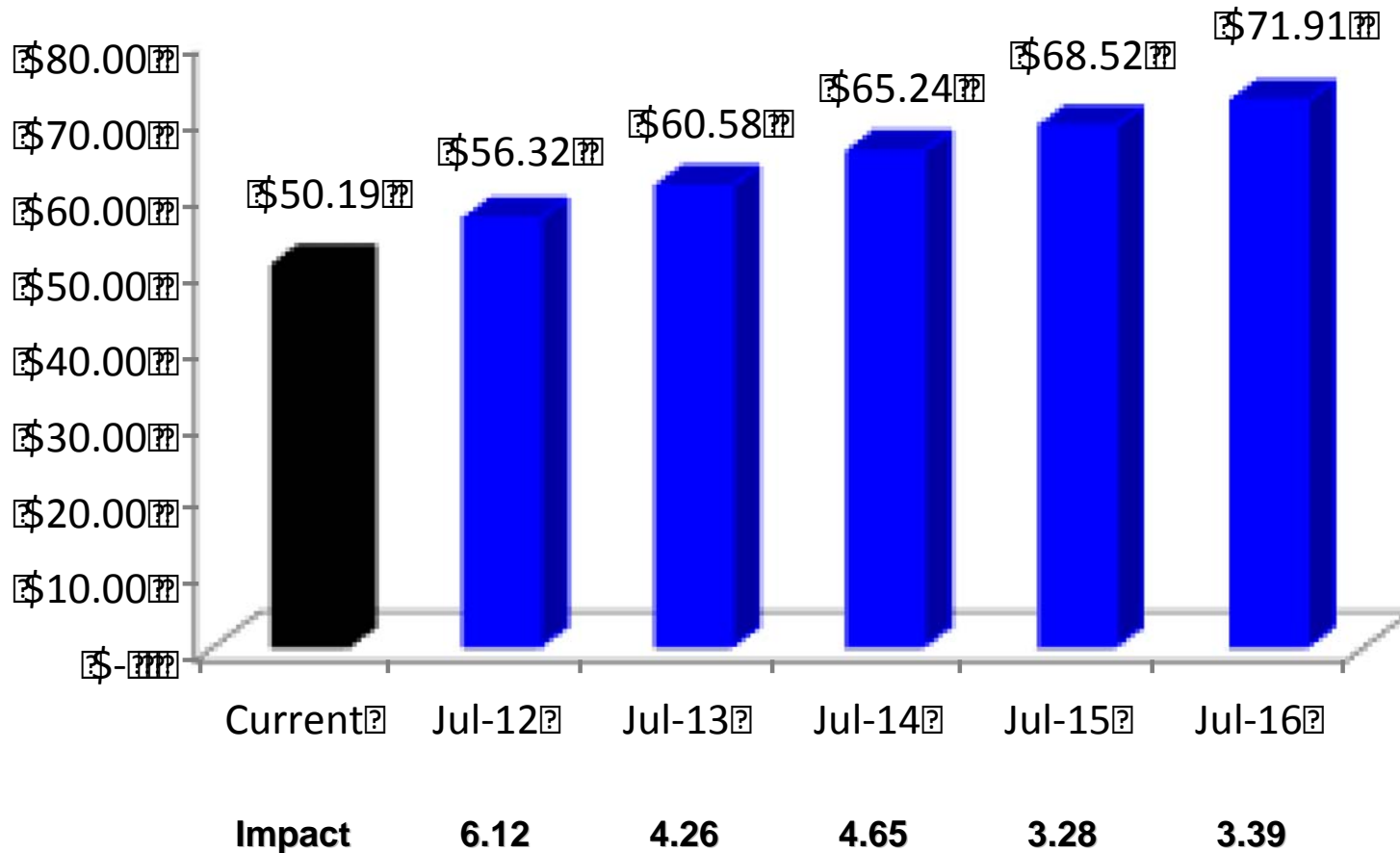
## Water/WW Adjustments



	Current	Effective Jul-12	Effective Jul-13	Effective Jul-14	Effective Jul-15	Effective Jul-16
<b>WATER Rates</b>						
<b>Minimum Charge</b>						
5/8" - 3/4"	\$ 19.30	\$ <b>20.27</b>	\$ 21.28	\$ 22.34	\$ 23.46	\$ 24.63
1"	32.17	<b>33.78</b>	35.47	37.24	39.10	41.06
2"	128.67	<b>135.10</b>	141.86	148.95	156.40	164.22
3" Compound	205.88	<b>216.17</b>	226.98	238.33	250.25	262.76
3" Turbine	225.18	<b>236.44</b>	248.26	260.67	273.71	287.39
<b>Volume Charge: Per 1,000 Gallons</b>						
- 10,000	1.38	<b>1.45</b>	1.52	1.60	1.68	1.76
10,001 18,700	1.91	<b>2.01</b>	2.11	2.21	2.32	2.44
18,700 Above	3.39	<b>3.56</b>	3.74	3.92	4.12	4.33
<b>WASTEWATER Rates</b>						
<b>Minimum Charge</b>	\$ 12.78	\$ <b>15.34</b>	\$ 16.88	\$ 18.59	\$ 19.53	\$ 20.49
<b>Volume Charge: Per 1,000 Gallons</b>						
Residential	2.99	<b>3.59</b>	3.95	4.35	4.57	4.79
Commercial	3.01	<b>3.61</b>	3.97	4.37	4.59	4.82
Institutional	4.20	<b>5.74</b>	5.97	6.94	7.36	7.64



# Impact on Monthly Residential Charges 5,000 Gallons Water & Wastewater



# Rate Recommendation Impact on Monthly Bills



Current	Effective Jul-12	Effective Jul-13	Effective Jul-14	Effective Jul-15	Effective Jul-16
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## Monthly Charges -- 5/8 " x 3/4"

### Gallons

5,000	\$	50.19	\$	56.32	\$	60.58	\$	65.24	\$	68.52	\$	71.91
				<b>6.12</b>		4.26		4.65		3.28		3.39
10,000	\$	68.31	\$	77.02	\$	83.00	\$	89.54	\$	94.04	\$	98.69
				<b>8.72</b>		5.98		6.53		4.51		4.65
30,000	\$	168.08	\$	188.54	\$	202.80	\$	218.37	\$	229.35	\$	240.70
				<b>20.47</b>		14.26		15.56		10.99		11.35

# Monthly Charge Analysis



**Current Minimum Charge**  
5/8" Inside

\$ 19.30      \$ 12.78

## Estimated Fixed Costs

Water

Wastewater

**Estimated Fixed Costs**  
Percent of Total Costs

\$ 1,466,786      \$ 1,960,602  
72%      70%

*Total Active Connections - All Customers*

3,537      2,942

**Monthly Cost Per Connection**

\$ 34.56      \$ 55.53

# Impact of Eliminating Minimum Charges for Partial Year Residents



	<u>Water</u>		<u>Wastewater</u>	
Estimated Partial Year Residents		1,060		1,060
Current Minimum Charge -- All Residents	\$	19.30	\$	12.78
Lost Revenue from Eliminating Six Months of Minimum Charges for Partial Year Residents	\$	122,748	\$	81,281
			\$	<b>204,029</b>
New Minimum Charge on All Customers to Offset Revenue Loss from Partial Year Residents	\$	22.70	\$	15.59
Impact Per Monthly Bill of Excluding Partial Year Residents	\$	<b>3.40</b>	\$	<b>2.81</b>
			\$	<b>6.21</b>

# Presentation Summary

## Comparison of Forecast to 2009 Rate Plan



- ▶ Expenses continue to increase
- ▶ Growth forecast is on target
- ▶ Prison growth is moving forward
- ▶ Long-Term Rate Plan is on track
- ▶ Bottom line: **stay the course!**



# Presentation Summary

## Facts about Rate Plan



- ▶ Average utility is increasing its rates 5-6% per year
- ▶ Most of the utility cost increases are beyond the Town's control
- ▶ Rate plan will enable Town to pay increased costs and fund needed capital improvements
- ▶ Combined impact on most ratepayers = \$4-6 per month each year
- ▶ Rates are forecast to remain below state average for foreseeable future

